

**REPORT OF THE AUDIT OF THE
HOPKINS COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2003**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE HOPKINS COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2003**

The Auditor of Public Accounts has completed the Hopkins County Fiscal Court audit for fiscal year ended June 30, 2003. We have issued an unqualified opinion on the financial statements taken as a whole. Based upon the audit work performed, the financial statements are presented fairly in all material respects.

Financial Condition:

Cash balances increased by \$1,353,137 from the beginning of the year, resulting in a cash surplus of \$5,467,951 as of June 30, 2003.

Debt Obligations:

Total bonded debt principal as of June 30, 2003, was \$10,575,000. Future collections of \$16,662,524 are needed to pay all bonded debt principal and interest.

Report Comment:

- The Depository Institution Should Have Provided Sufficient Collateral Of \$914,115 And Entered Into A Written Agreement To Protect County's Deposits

CONTENTS

PAGE

INDEPENDENT AUDITOR’S REPORT	1
HOPKINS COUNTY OFFICIALS	3
STATEMENT OF ASSETS, LIABILITIES, AND EQUITY ARISING FROM CASH TRANSACTIONS	6
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES	10
NOTES TO FINANCIAL STATEMENTS	12
SUPPORTING SCHEDULES:	
COMPARATIVE SCHEDULE OF BUDGETED TO ACTUAL OPERATING REVENUE	21
SCHEDULE OF OPERATING REVENUE	25
COMPARATIVE SCHEDULE OF FINAL BUDGET AND BUDGETED EXPENDITURES	29
REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	33
COMMENT AND RECOMMENDATION	37
APPENDIX A:	
CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS	



CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of assets, liabilities, and equity arising from cash transactions of Hopkins County, Kentucky, as of June 30, 2003, and the related statement of cash receipts, cash disbursements, and changes in cash balances for the year then ended. These financial statements are the responsibility of the Hopkins County Fiscal Court. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Hopkins County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising primarily from cash transactions as of June 30, 2003 of Hopkins County, Kentucky, and the revenues received and expenditures paid for the year then ended, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2003 on our consideration of Hopkins County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The accompanying financial information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of Hopkins County, Kentucky. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Based on the results of our audit, we present the accompanying comment and recommendation, included herein, which discusses the following report comment:

- The Depository Institution Should Have Provided Sufficient Collateral Of \$914,115 And Entered Into A Written Agreement To Protect County's Deposits

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 17, 2003

HOPKINS COUNTY OFFICIALS

For The Fiscal Year Ended June 30, 2003

Fiscal Court Members:

Patricia M. Hawkins	County Judge/Executive
Karol Welch	Magistrate
Coletta Wheeler	Magistrate
Tim Riggs	Magistrate
Larry Wilson	Magistrate
Larry Rogers	Magistrate
Mike Duncan	Magistrate
Jon Garrett	Magistrate

Other Elected Officials:

Robert P. Moore	County Attorney
Jim Lantrip	Jailer
Devra Steckler	County Clerk
Carolyn Polley	Circuit Court Clerk
S. Frank Latham	Sheriff
David Gordon	Property Valuation Administrator
John Walters	Coroner

Appointed Personnel:

Cindy A. Jones	County Treasurer
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STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

HOPKINS COUNTY
STATEMENT OF ASSETS, LIABILITIES,
AND EQUITY ARISING FROM CASH TRANSACTIONS

June 30, 2003

	Governmental Fund Types	Proprietary Fund Type	Totals (Memorandum Only)	
	General	Special Revenue	Enterprise	
<u>Assets and Other Resources</u>				
<u>Assets</u>				
Cash and Cash Equivalents	\$ 5,456,450	998	\$ 10,503	\$ 5,467,951
Total Assets	\$ 5,456,450	\$ 998	\$ 10,503	\$ 5,467,951
<u>Other Resources</u>				
Amounts to Be Provided in Future Years for:				
Bond Payments (Note 4)	\$ 10,575,000	\$	\$	\$ 10,575,000
Total Other Resources	\$ 10,575,000	\$ 0	\$ 0	\$ 10,575,000
Total Assets and Other Resources	\$ 16,031,450	\$ 998	\$ 10,503	\$ 16,042,951

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
 STATEMENT OF ASSETS, LIABILITIES,
 AND EQUITY ARISING FROM CASH TRANSACTIONS
 June 30, 2003
 (Continued)

	<u>Governmental Fund Types</u>		<u>Proprietary Fund Type</u>	<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Enterprise</u>	
<u>Liabilities and Equity</u>				
<u>Liabilities</u>				
Bonds:				
Series 2000 (Note 4)	\$ 10,575,000	\$	\$	\$ 10,575,000
Total Liabilities	\$ 10,575,000	\$ 0	\$ 0	\$ 10,575,000
<u>Equity</u>				
Retained Earnings:				
Reserved	\$	\$	\$ 10,503	\$ 10,503
Fund Balances:				
Reserved		998		998
Unreserved	5,456,450			5,456,450
Total Equity	\$ 5,456,450	\$ 998	\$ 10,503	\$ 5,467,951
Total Liabilities and Equity	\$ 16,031,450	\$ 998	\$ 10,503	\$ 16,042,951

The accompanying notes are an integral part of the financial statements.

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STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

HOPKINS COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES

For The Fiscal Year Ended June 30, 2003

	General Fund Types			
	Totals (Memorandum Only)	General Fund	Road and Bridge Fund	Jail Fund
<u>Cash Receipts</u>				
Schedule of Operating Revenue	\$ 13,726,186	\$ 7,079,349	\$ 1,480,873	\$ 2,875,106
Receipts - Jail Canteen	804,070			
Other Financing Sources:				
Transfers In	3,780,000		1,050,000	880,000
Kentucky Advance Revenue Program	3,026,200	3,026,200		
Total Cash Receipts	<u>\$ 21,336,456</u>	<u>\$ 10,105,549</u>	<u>\$ 2,530,873</u>	<u>\$ 3,755,106</u>
<u>Cash Disbursements</u>				
Comparative Schedule of Final Budget and Budgeted Expenditures	\$ 11,115,825	\$ 3,873,850	\$ 2,489,329	\$ 2,663,547
Expenditures - Jail Canteen	815,515			
Other Financing Uses:				
Transfers Out	3,780,000	3,780,000		
Capital Lease - Principal Paid	262,584	110,360	84,473	
Bonds:				
Principal Paid	380,000			380,000
Interest Paid	603,195			603,195
Kentucky Advance Revenue Program Repaid	3,026,200	3,026,200		
Total Cash Disbursements	<u>\$ 19,983,319</u>	<u>\$ 10,790,410</u>	<u>\$ 2,573,802</u>	<u>\$ 3,646,742</u>
Excess (Deficiency) of Cash Receipts Over (Under) Cash Disbursements	\$ 1,353,137	\$ (684,861)	\$ (42,929)	\$ 108,364
Cash Balance - July 1, 2002	<u>4,114,814</u>	<u>3,256,481</u>	<u>243,218</u>	<u>343,935</u>
Cash Balance - June 30, 2003	<u>\$ 5,467,951</u>	<u>\$ 2,571,620</u>	<u>\$ 200,289</u>	<u>\$ 452,299</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
STATEMENT OF CASH RECEIPTS,
CASH DISBURSEMENTS, AND CHANGES IN CASH BALANCES
For The Fiscal Year Ended June 30, 2003
(Continued)

General Fund Types			Special Revenue Fund Type	Enterprise Fund Type
Local Government Economic Assistance Fund	Local Government Economic Development Fund	Contingency Fund	Tourism Fund	Jail Canteen Fund
\$ 2,256,012	\$ 19,733	\$ 14,115	\$ 998	\$ 0 804,070
850,000		1,000,000		
<u>\$ 3,106,012</u>	<u>\$ 19,733</u>	<u>\$ 1,014,115</u>	<u>\$ 998</u>	<u>\$ 804,070</u>
\$ 2,069,366	\$ 19,733	\$ 0	\$ 0	\$ 0 815,515
67,751				
<u>\$ 2,137,117</u>	<u>\$ 19,733</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 815,515</u>
\$ 968,895	\$ 0	\$ 1,014,115	\$ 998	\$ (11,445)
249,232				21,948
<u>\$ 1,218,127</u>	<u>\$ 0</u>	<u>\$ 1,014,115</u>	<u>\$ 998</u>	<u>\$ 10,503</u>

The accompanying notes are an integral part of the financial statements.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2003

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statements of Hopkins County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Based upon the application of the criteria stated in GASB 14, there are no component units which merit consideration as part of the reporting entity.

Additional - Hopkins County Constitutional Elected Officials

- Circuit Court Clerk
- County Attorney
- County Clerk
- County Sheriff
- Property Valuation Administrator

The Kentucky constitution provides for election of the above officials from the geographic area constituting Hopkins County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

B. Fund Accounting

Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The government uses funds to report on its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Hopkins County Fiscal Court's fund types, a definition of each, and county funds included within each fund type are listed below.

1) General Fund Type

General Fund Type accounts for all financial resources except those required to be accounted for in another fund type. The Hopkins County General Fund Type includes the following county funds: General Fund, Road and Bridge Fund, Jail Fund, Local Government Economic Assistance Fund, Local Government Economic Development Fund, and the Contingency Fund.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Fund Accounting (Continued)

2) Special Revenue Fund Type

Special Revenue Fund Type accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for the specified purpose. The Tourism Fund of the Fiscal Court is reported as a Special Revenue Fund Type.

3) Enterprise Fund Type

The Enterprise Fund Type is used to report an activity for which a fee is charged to external users for goods or services. The Hopkins County Enterprise Fund Type includes the Jail Canteen Fund, which is maintained by the County Jailer.

The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the jail canteen. Technical Audit Bulletin 93-002 provides additional accounting and expenditure guidance for acceptable jail canteen operations. All profit expenditures were for the benefit and/or recreation of the inmates.

C. Basis of Accounting

For all fund types, the county utilizes a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Long-term receivables, long-term obligations and amounts to be provided in future years to retire debt are recorded in the financial statements. The amount to be provided in future years to retire debt is offset by any cash or cash equivalents held by the county in a bond or debt service fund.

The State Local Finance Officer does not require the county to maintain a general fixed assets group of accounts; therefore, the value of the county's fixed assets is not included in the financial statements. These fixed assets include buildings, equipment and land that are owned by the county.

D. Legal Compliance - Budget

The Hopkins County budget is adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Legal Compliance - Budget (Continued)

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

E. Cash and Investments

Cash includes amounts in bank accounts.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

F. Related Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the Medical Center Ambulance Service, Incorporated is considered a related organization of Hopkins County Fiscal Court.

G. Joint Venture

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the Hopkins County Joint Planning Commission is considered a joint venture of Hopkins County Fiscal Court.

Note 2. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system which covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 6.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 16.28 percent.

HOPKINS COUNTY
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2003
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report.

Note 3. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of June 30, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$914,115 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with the depository institution securing the county's interest in the collateral.

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of June 30, 2003.

	<u>Bank Balance</u>
Insured by FDIC	\$ 301,118
Collateralized with securities held by the County's agent in the County's name	4,505,792
Uncollateralized and uninsured	<u>914,115</u>
Total	<u><u>\$ 5,721,025</u></u>

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 4. Long-Term Debt

County of Hopkins, Kentucky General Obligation Bonds (Detention Center Facility)

The Hopkins County Fiscal Court entered into a bond issue, County of Hopkins, Kentucky General Obligation Bonds (Detention Facility Project), Series 2000 on February 8, 2000, for the purpose of construction and equipping of a new detention center, refunding of loan to renovate the jail annex, and for the cost of the issuance of the bonds. The issue amount of the bonds was \$11,320,000. The interest rate varies from 5.00% to 5.75%, with bond payments beginning on August 1, 2000 through February 1, 2020. The outstanding balance as of June 30, 2003 was \$10,575,000.

Fiscal Year Ended		
June 30	Interest	Principal
2004	\$ 584,195	\$ 400,000
2005	564,195	420,000
2006	542,145	440,000
2007	519,045	465,000
2008	494,632	485,000
2009-2013	2,054,565	2,850,000
2014-2018	1,172,059	3,715,000
2019-2020	156,688	1,800,000
Totals	<u>\$ 6,087,524</u>	<u>\$ 10,575,000</u>

Note 5. Insurance

For the fiscal year ended June 30, 2003, Hopkins County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 6. The Medical Center Ambulance Service Incorporated Lease Agreement

Medical Center Ambulance Service Incorporated (MCAS) operates under a lease with Hopkins County. The term of the lease is for one year, and such lease is automatically renewed on a year-to-year basis unless terminated by one of the parties. Under the terms of the lease, the County is required to furnish the necessary number of ambulances required for the operation of the ambulance service and is to reimburse MCAS for the support of the County. MCAS has agreed to provide suitable and necessary ambulance service on a twenty-four hour basis to the residents of Hopkins County and to other persons requiring such services while in Hopkins County.

HOPKINS COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2003
(Continued)

Note 7. Operating Subsidies to Medical Center Ambulance Service Incorporated

Under the lease agreement between Medical Center Ambulance Service Incorporated (MCAS) and Hopkins County, as described in Note 6, the County has agreed to reimburse MCAS during the term of the lease for losses incurred in its operation. The County's obligation is limited to the amount budgeted in any given year. The amount included in the budget may not go below \$66,272. MCAS records such subsidy as a reduction of the excess of expenses over revenues in the year in which such excess expenses are incurred.

Note 8. Landfill Closure and Postclosure Costs

The Hopkins County Landfill was closed in June 1992. The County must comply with established state and federal landfill closure and postclosure procedures and must perform maintenance and monitoring procedures. Estimated postclosure care costs total \$955,000; cost may be higher due to inflation, changes in technology, or changes in regulations. It is anticipated that postclosure costs will be paid out of the LGEA Fund to the extent that funds are available with any excess costs being funded using long-term borrowings.

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COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

HOPKINS COUNTY
COMPARATIVE SCHEDULE OF
BUDGETED TO ACTUAL OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

<u>Budgeted Funds</u>	<u>Budgeted Operating Revenue</u>	<u>Actual Operating Revenue</u>	<u>Over (Under) Budget</u>
<u>General Fund Types</u>			
General Fund	\$ 6,402,591	\$ 7,079,349	\$ 676,758
Road and Bridge Fund	1,621,450	1,480,874	(140,576)
Jail Fund	2,463,019	2,875,105	412,086
Local Government Economic Assistance Fund	1,986,000	2,256,011	270,011
Local Government Economic Development Fund	1,000,000	19,733	(980,267)
Contingency Fund	30,000	14,116	(15,884)
<u>Special Revenue Fund Type</u>			
Tourism Fund		998	998
Totals	<u>\$ 13,503,060</u>	<u>\$ 13,726,186</u>	<u>\$ 223,126</u>
<u>Reconciliation</u>			
Total Budgeted Operating Revenue Above			\$ 13,503,060
Add: Budgeted Prior Year Surplus			3,150,000
Less: Other Financing Uses			<u>(1,251,114)</u>
Total Operating Budget Per Comparative Schedule Of Final Budget and Budgeted Expenditures			<u>\$ 15,401,946</u>

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SCHEDULE OF OPERATING REVENUE

HOPKINS COUNTY
SCHEDULE OF OPERATING REVENUE

For The Fiscal Year Ended June 30, 2003

GOVERNMENTAL FUND TYPE

<u>Revenue Categories</u>	<u>Totals (Memorandum Only)</u>	<u>General Fund Types</u>	<u>Special Revenue Fund Type</u>
Taxes	\$ 4,504,862	\$ 4,503,865	\$ 997
Excess Fees	70,382	70,382	
Licenses and Permits	57,322	57,322	
Intergovernmental Revenues	8,238,136	8,238,136	
Charges for Services	236,863	236,863	
Miscellaneous Revenues	511,973	511,973	
Interest Earned	106,648	106,647	1
Total Operating Revenue	<u>\$ 13,726,186</u>	<u>\$ 13,725,188</u>	<u>\$ 998</u>

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COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

HOPKINS COUNTY
COMPARATIVE SCHEDULE OF
FINAL BUDGET AND BUDGETED EXPENDITURES

For The Fiscal Year Ended June 30, 2003

Expenditure Categories	GENERAL FUND TYPES		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
General Government	\$ 5,114,418	\$ 2,961,500	\$ 2,152,918
Protection to Persons and Property	2,798,357	2,554,566	243,791
General Health and Sanitation	1,330,760	1,138,219	192,541
Social Services	160,625	158,294	2,331
Recreation and Culture	307,400	264,370	43,030
Roads	1,875,347	1,827,191	48,156
Debt Service	6,650	31,789	(25,139)
Capital Projects	798,000	710,550	87,450
Administration	3,000,389	1,469,346	1,531,043
Total Operating Budget - General Fund Types	\$ 15,391,946	\$ 11,115,825	\$ 4,276,121
Other Financing Uses:			
Bonds-			
Principal on Bonds	380,000	380,000	
Interest on Bonds	603,200	603,195	5
Capital Lease Agreement-			
Principal on Lease	267,914	262,584	5,330
TOTAL BUDGET - GENERAL FUND TYPES	<u>\$ 16,643,060</u>	<u>\$ 12,361,604</u>	<u>\$ 4,281,456</u>

Expenditure Categories	SPECIAL REVENUE FUND TYPE		
	Final Budget	Budgeted Expenditures	Under (Over) Budget
Recreation and Culture	\$ 10,000	\$ 0	\$ 10,000
TOTAL BUDGET - SPECIAL REVENUE FUND TYPE	<u>\$ 10,000</u>	<u>\$ 0</u>	<u>\$ 10,000</u>

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REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
Auditor of Public Accounts

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Patricia M. Hawkins, Hopkins County Judge/Executive
Members of the Hopkins County Fiscal Court

**Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of Hopkins County, Kentucky, as of and for the year ended June 30, 2003, and have issued our report thereon dated October 17, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Hopkins County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- The Depository Institution Should Have Provided Sufficient Collateral Of \$914,115 And Entered Into A Written Agreement To Protect County's Deposits

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Hopkins County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses.

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Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management is not intended to be, and should not be, used by anyone other than the specified party.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
October 17, 2003

COMMENT AND RECOMMENDATION

HOPKINS COUNTY
COMMENT AND RECOMMENDATION

For The Fiscal Year Ended June 30, 2003

The Depository Institution Should Have Provided Sufficient Collateral Of \$914,115 And Entered Into A Written Agreement To Protect County's Deposits

On June 30, 2003, \$914,115 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the \$100,000 amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The depository institution should have pledged or provided collateral in an amount sufficient to secure deposits of public funds at all times. We recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. We also recommend that the written agreement include language that requires the depository institution to provide documentation concerning pledged securities to county personnel and both require the county's approval of the amount pledged and approval before the amount pledged is lowered. This information would provide county personnel a method to monitor the financial institution's compliance with the agreement.

County Treasurer Cindy A. Jones' Response:

We agree that the depository institution should have provided adequate collateral. We are currently in the process of obtaining the recommended written agreement.

PRIOR YEAR FINDING:

The Depository Institution Should Have Provided Sufficient Collateral

This comment was not corrected and is discussed above.

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CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

HOPKINS COUNTY FISCAL COURT

For The Fiscal Year Ended
June 30, 2003

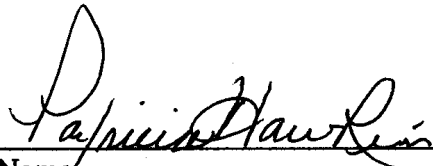
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE AND DEVELOPMENT PROGRAMS

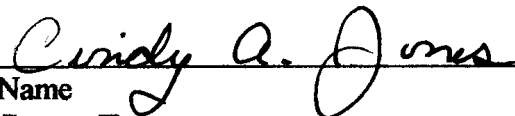
HOPKINS COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2003

The Hopkins County Fiscal Court hereby certifies that assistance received from the Local Government Economic Development Program and Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

